

Natural Gas Choice

Indiana Office of Utility Consumer Counselor

OUCC

NIPSCO Choice Program Question and Answers

What is the *Choice* Program?

The natural gas *Choice* program allows a Northern Indiana Public Service Company (NIPSCO) natural gas customer to choose an alternative natural gas supplier. The supplier you choose will buy gas for you. NIPSCO will then transport it to Northern Indiana and deliver the gas to you through its distribution system. The program is voluntary and you are not required to make any changes to your current service.

NIPSCO Choice: 6 Things to Know

1. Before signing any contract, carefully review its terms and conditions (including pricing, contract length and early termination penalties).
2. Enrolling in Choice may or may not save you money.
3. Even with an alternative gas supplier, NIPSCO still provides (and charges for) transportation and distribution.
4. The worksheets in this publication can help you determine if Choice is appropriate for you.
5. All alternative suppliers accepting new customers are listed on NIPSCO's Website (www.nipSCO.nisource.com).
6. Choice enrollment is voluntary and offered year-round.

The *Choice* Program: Why?

The *Choice* program was proposed by NIPSCO in late 1995 as a response to increased competition in the natural gas wholesale market and



consumer desire for choices, and to allow the utility to take a lead role in the transition of Indiana's retail gas market to competition. The Indiana Utility Regulatory Commission (IURC) approved a modified version of the proposal in late 1997 after lengthy negotiations with the Indiana Office of Utility Consumer Counselor (OUCC) and other parties.

How Can Choosing My Supplier Benefit Me?

NIPSCO *Choice* is not designed as a savings program, but consumers who enroll could save money. Every gas supplier has a different combination of contracts with competing gas producers and interstate pipelines. As a result, some suppliers may be able to buy natural gas at a lower cost than others, including NIPSCO.

There is, however, no guarantee of lower bills. Consumers should shop carefully and fully understand the terms and conditions of any contract before signing.

Will I Need New Gas Lines Installed Into My Home or Business?

No. NIPSCO will continue to be the company that delivers the gas to you. NIPSCO remains responsible for maintaining and servicing the distribution system, including the existing service line into your home or business. Natural gas still will be delivered to you through that line regardless of the gas supplier you choose.

How Do I Know The Gas Will Be There When I Need It?

Before each gas supplier is allowed to participate in the *Choice* program, it is required to meet strict financial and operational qualifications to insure that it can provide natural gas to all of its customers. In the unlikely case that a qualified gas supplier fails to deliver enough gas to NIPSCO, NIPSCO is required to provide the natural gas at no additional charge to you. This ensures that *Choice* customers do not suffer service interruptions.

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Unbundling Your Natural Gas Rates

Natural gas service consists of three parts: **supply**, **transportation** and **distribution**. These are illustrated below. Before the Choice program was introduced, NIPSCO gas bills did not break out the three components, but showed a total price for the entire bundle.

The *Choice* program, however, has unbundled these services. Currently, under the *Choice* program, NIPSCO transports and delivers the natural gas to you through interstate

pipelines and its distribution lines, but other companies compete for the right to supply natural gas on your behalf. In the future, these suppliers may offer competing transportation services.

NIPSCO natural gas bills currently show separate charges for the gas supply and its transportation and distribution.

Contracts

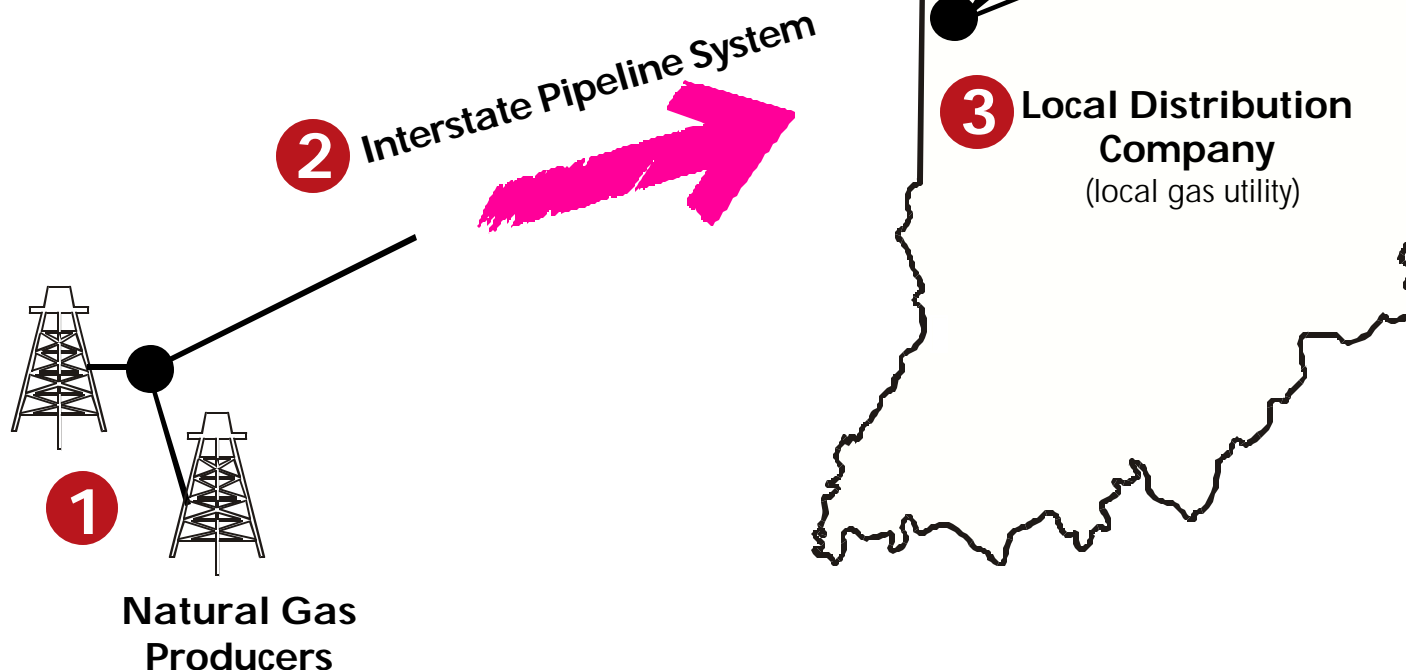
If you choose to participate in the Choice program, it is important to

note that the terms of your new gas supply service will be dictated by a contract. This means that the price you are charged and the length of time you agree to be served by that supplier will be established in writing rather than based on published utility rates. Both you and the gas supplier will be bound by that written agreement. The quality of natural gas you receive from any gas supplier will be identical to the quality of gas you receive from NIPSCO.

1 Supply
Natural gas producers drill wells that pull natural gas from beneath the earth's surface. This is called the natural gas **supply**.

2 Transportation
Gas supply is then **transported** through interstate pipelines to a local gas utility's distribution system.

3 Distribution
Your gas utility takes natural gas from the interstate pipeline system and **distributes** it to you.



Comparing Natural Gas Supply Proposals

The **Household Gas Usage Table** and **Gas Supplier Worksheets** on this page can be used to help evaluate proposals made by gas suppliers. Your gas usage data from a recent 12 month period is available from NIPSCO. Use the gas usage table to write your actual usage information into the spaces provided below.



amount or may change with the market price.

You can see how your household usage compares with an

A therm is a unit of volume used to measure the amount of gas you use. The price per therm may be fixed at a specific

estimate of usage for a typical residence during a normal year. These usage amounts are only an estimate of how much gas you might use in the future. Actual usage for all customers depends upon many factors including weather, furnace efficiency, the amount of insulation in your home and lifestyle.

Household Gas Usage Table

Month	Usage*	My Usage
January	200 therms	_____ therms
February	170 therms	_____ therms
March	135 therms	_____ therms
April	85 therms	_____ therms
May	45 therms	_____ therms
June	20 therms	_____ therms
July	15 therms	_____ therms
August	20 therms	_____ therms
September	30 therms	_____ therms
October	70 therms	_____ therms
November	120 therms	_____ therms
December	170 therms	_____ therms
Total	1080 therms	_____ therms
Average	90 therms	_____ therms

**These are estimates. Your actual usage may vary.*

Gas Supplier Worksheet #1

Name of Supplier:

Phone No.:

Contact Person:

Billed by NIPSCO or billed separately?

Price per therm:

Required Length of Contract:

Re-enrollment Terms:

Gas Supplier Worksheet #2

Name of Supplier:

Phone No.:

Contact Person:

Billed by NIPSCO or billed separately?

Price per therm:

Required Length of Contract:

Re-enrollment Terms:

Gas Supplier Worksheet #3

Name of Supplier:

Phone No.:

Contact Person:

Billed by NIPSCO or billed separately?

Price per therm:

Required Length of Contract:

Re-enrollment Terms:

Calculating Potential \$avings

The price for NIPSCO's traditional gas supply includes a base cost of gas plus or minus a gas cost adjustment (GCA) factor. This factor changes periodically to reflect NIPSCO's actual cost of buying gas. Under the *Choice* program, suppliers may choose to offer you a fixed rate per therm for the contract period, which is often one year.



Use the example on this page to help you calculate gas supply costs. This example shows one method of comparing NIPSCO's changing gas supply price with a fixed price. Figure 1 estimates the cost of NIPSCO's traditional supply service. It uses average gas usage numbers, described on page three, and historic gas costs to estimate the cost of NIPSCO's bundled gas supply, including tax. Call NIPSCO to learn your actual usage and NIPSCO's regulated supply cost for the time period you wish to use.

Figure 2 calculates a gas supply cost using an alternative supplier with a fixed price per therm. It also calculates the estimated sales tax on an unbundled supply.

Figure 3 uses numbers from the Figures 1 and 2 to calculate your total estimated savings.

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Figure 1

NIPSCO's estimated supply costs and sales tax
(Supply prices & estimated usage amounts are examples
for comparison purposes only. Actual amounts will vary.)

	supply only (\$/therm)	est. usage (therms)	supply only (\$)
January	\$0.3145	x 200	= \$62.90
February	\$0.2822	x 170	= \$47.97
March	\$0.2905	x 135	= \$39.22
April	\$0.4365	x 85	= \$37.10
May	\$0.4710	x 45	= \$21.20
June	\$0.4720	x 20	= \$9.44
July	\$0.2431	x 15	= \$3.65
August	\$0.2282	x 20	= \$4.56
September	\$0.3759	x 30	= \$11.28
October	\$0.4620	x 70	= \$32.34
November	\$0.5327	x 120	= \$63.92
December	\$0.5442	x 170	= <u>\$92.51</u>

Total Supply Cost	\$426.09
	<u>x 6%</u>
Sales Tax on Supply Only	\$25.57
Divided by .40	<u>/ .40</u>
Estimated Annual Sales Tax on bundled NIPSCO Bill	\$63.91

Figure 2

Alternative supplier's estimated supply cost and sales tax
(12-month contract at \$0.39 per therm; Estimated usage
amounts are examples for comparison purposes only.)

	supply only (\$/therm)	est. usage (therms)	supply only (\$)
January	\$0.39	x 200	= \$78.00
February	\$0.39	x 170	= \$66.30
March	\$0.39	x 135	= \$52.65
April	\$0.39	x 85	= \$33.15
May	\$0.39	x 45	= \$17.55
June	\$0.39	x 20	= \$7.80
July	\$0.39	x 15	= \$5.85
August	\$0.39	x 20	= \$7.80
September	\$0.39	x 30	= \$11.70
October	\$0.39	x 70	= \$27.30
November	\$0.39	x 120	= \$46.80
December	\$0.39	x 170	= <u>\$66.30</u>

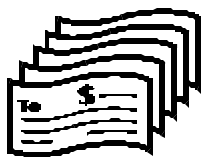
Total Supply Cost	\$421.00
	<u>x 6%</u>
Estimated Sales Tax on Unbundled Supply	\$25.27

Choice Q&A

Continued from page 1

Will I Receive More Than One Bill Each Month?

You may. NIPSCO will continue to service and maintain the distribution lines that serve your home and will continue to read your meter. You will continue to receive a bill from NIPSCO for these services. Suppliers may also use the NIPSCO bill or send you a separate bill.



Will I Receive Telemarketing Calls at Home?

Suppliers are prohibited from initiating unsolicited telephone calls to residential customers.

May I Switch Gas Suppliers?

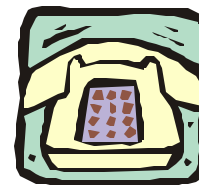
Yes. You may switch gas suppliers or return to NIPSCO gas supply service, subject to the terms of your **contract** with your selected gas supplier. After your initial gas supplier selection, you will be charged a \$7.50 administrative fee to switch suppliers. If you later decide to return to NIPSCO gas supply service, this charge will be waived. However, you must agree to stay with NIPSCO gas supply service for a minimum of one year after switching back.

How Do I Enroll?

You can enroll by contacting any qualified supplier. For a list of eligible suppliers and their toll-free telephone numbers, contact NIPSCO toll-free at 1-800-464-7726 or view the list online at www.nipSCO.nisource.com.

You will need your account and service numbers, found on your bill,

to choose your gas supplier. These numbers should only be given to the gas supplier you choose. With these numbers, your chosen gas supplier can confirm with NIPSCO that you have signed up for service.



Suppliers can sign you up in several ways: via phone, e-mail, fax or in person. Regardless of how you are enrolled, the supplier must give you the following information: contract price; billing and payment terms; re-enrollment terms; and contract start and end dates.

If you sign up with a supplier via phone or e-mail, the supplier must mail you this information within five

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Figure 3

Estimated NIPSCO bundled supply cost	\$426.09
Estimated alternative supplier supply cost	<u>\$421.00</u>
Estimated unbundled supply cost savings	\$5.09

Estimated NIPSCO bundled sales tax	\$63.91
Estimated alternative supplier sales tax	- <u>\$25.27</u>
Estimated unbundled sales tax savings	\$38.64

Estimated Total Savings/Year \$43.73
(sum of supply savings & sales tax savings)

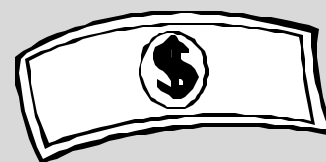
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The State of Indiana charges six percent sales tax on products, but generally not services. However, when the services are combined or bundled with a product, sales tax is charged on both.

If your natural gas supply is provided by NIPSCO, six percent sales tax has been levied on your total gas bill. However, if you choose to contract with an alternative supplier to provide your natural gas supply, NIPSCO will collect sales tax only on the charges assessed by your gas supplier and not on the charge for NIPSCO delivery service.

A rough estimate of your sales tax savings is about three percent of your total bill. This estimate is based on the annual usage of an average NIPSCO

residential customer who uses approximately 1200 therms per year. This estimated sales tax savings figure also assumes that the gas supply portion of your 12 monthly bills is approximately 40 percent of your total annual gas bills (before taxes). The pipeline transportation services and the local distribution services make up the other 60 percent (before taxes). The three percent estimate is simply five percent savings on the 60 percent of your gas bill on an annual basis.



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Choice Q&A

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business days of your enrollment. You then have five business days (from the receipt of the information) to review the information. If within those five business days you determine that the information is incorrect or different

than what you had originally agreed to with the supplier, contact the supplier and cancel the contract. Remember that you only have five business days from the receipt of the information to contact the supplier and cancel the contract. The supplier will provide you with either a toll-free telephone number or a postage-paid postcard to use to cancel the contract.

If you sign up with a supplier in person or via fax, you will be signing a contract with all of the terms of the agreement. In this case the supplier is not obligated to give you the five business days to review and cancel the contract. You are bound by the contract you sign. Be sure to review all of the information carefully before you sign it.

Who Should I Call In An Emergency Or If I Have Service Questions?

If you choose a supplier other than NIPSCO, questions about the

pricing of your natural gas **supply** or about your **contract** should be directed to the gas supplier you chose. All other questions should be directed to NIPSCO. NIPSCO will continue to maintain an emergency service department and a 24-hour, toll-free customer service phone number, 1-800-464-7726.

Will the State Still Regulate NIPSCO?

Yes. NIPSCO is still a regulated public utility as the monopoly provider of local distribution services. In addition, the state will continue its oversight of the *Choice* program at least until 2005.

If you have questions or concerns about the Choice program or other alternative natural gas supply options, contact the OUC's consumer services staff toll-free at 1-888-441-2494 or online at www.IN.gov/oucc.

OUC

Representing Indiana's Utility Consumers

The Indiana Office of Utility Consumer Counselor is the state agency that represents the interests of all utility consumers and the public in matters related to the provision of electric, natural gas, telephone, water and sewer utilities in Indiana.

The OUC is active in proceedings before regulatory agencies and legal bodies, and committed to giving consumers a voice in the creation of utility services policy.